



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0510	Title:	Abatement of half of coal gross proceeds tax for new underground mine
Primary Sponsor:	Gebhardt, Kelly	Status:	As Amended in Senate Committee

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| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

This bill will allow a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes, including the state share of the taxes, for production from a new or expanding underground coal mine for a period of from 5 years. The abatement may be extended for one more 5 year period. This bill applies to tax years beginning after December 31, 2009. Effective date for this bill is October 1, 2009.

FISCAL ANALYSIS

Assumptions:

1. New section 1 of this bill, to be encoded in Title 15, Chapter 23, Part 7, MCA (coal gross proceeds tax) provides that the governing body of a county (board of county commissioners) may abate 50% of the coal gross proceeds tax from a new or expanding underground coal mine for a period of 5 years. The abatement may be extended for one more 5 year period. An abatement authorization must be made prior to the beginning of the property tax year in which abatement is in effect. The department must be notified of each abatement authorization prior to the beginning of the tax year.
2. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement"
3. Section 4 of this bill provides for application to tax years beginning after December 31, 2009.

4. Since this bill applies to production from new underground coal mines not in existence at this time, this bill has no impact on revenues. This bill has no administrative costs for the Department of Revenue.

Long-Term Impacts:

1. Although, there are no new coal mines anticipated in FY 2010 through FY 2013, it is likely that there will be new coal mines at some point in the future. When these new coal mines are developed, it is possible the state could receive half the revenue from the new production in the first five years that it would have received under the current law. According to Department of Revenue data, the average tax filer pays approximately \$3 million in coal gross proceeds, and approximately 40% of that revenue went to the state general fund.

Technical Notes:

1. There might be constitutional or other legal issues related to granting county governments the power to abate the taxes of other jurisdictions, namely the state.
2. New Section 1(2): Notification to affected school districts is required in order for the abatement to be effective. The bill is unclear when such notice should occur (notwithstanding the newspaper publication requirements), so it is conceivable that the school board may not receive the notification required in this bill until after the public hearing of the county governing body.
3. New Section 1(3) allows that an abatement may be authorized for an additional five year period. It is not clear whether that authorization requires the taxpayer to go through the same authorization process as the initial authorization.
4. New Section 1(4)(A) and (B) contain criteria governing amounts of production. The bill is silent as to what happens if the taxpayer fails to meet the criteria during the life of the abatement.

Sponsor's Initials

Date

Budget Director's Initials

Date